

County Executive's FY19 Operating Budget Forum Briefing

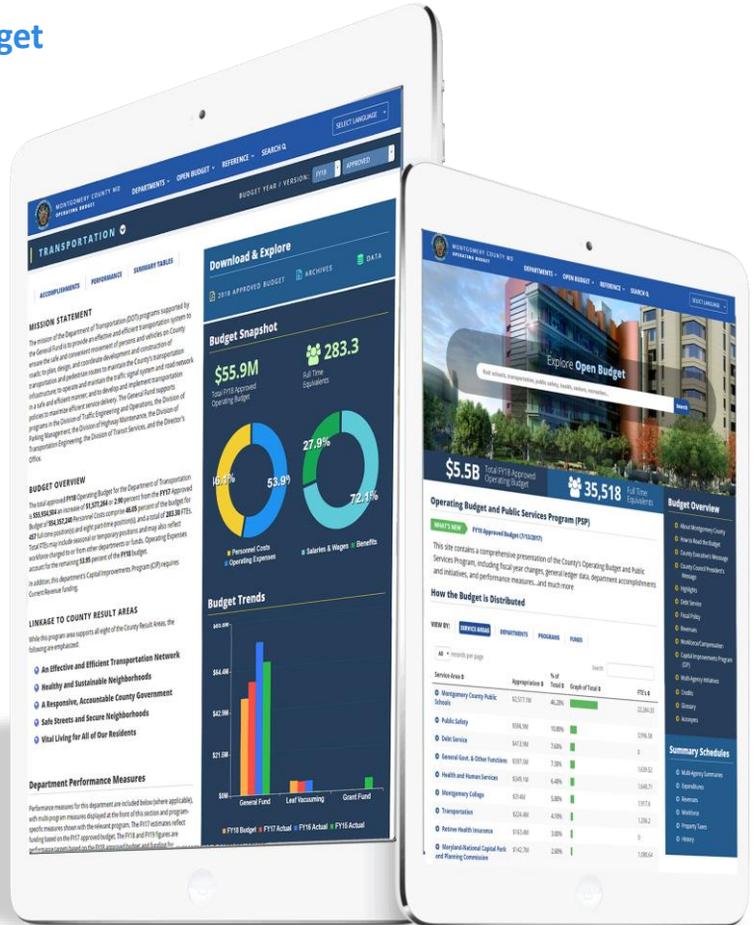
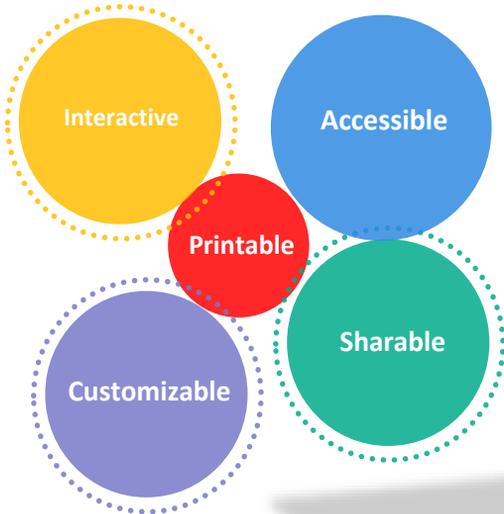
January 2018



Prepared by Montgomery County Office of Management & Budget and Department of Finance

Open Operating Budget – new and IMPROVED!

montgomerycountymd.gov/openbudget



Open Capital Budget

– including Projects and MAPS!

montgomerycountymd.gov/openbudget



County Executive priorities



1 A Responsive and Accountable
County Government

2 Affordable Housing in an
Inclusive Community

3 An Effective and Efficient
Transportation Network

4 Children Prepared to
Live and Learn

5 Healthy and Sustainable
Communities

6 Safe Streets and
Secure Neighborhoods

7 A Strong and Vibrant
Economy

8 Vital Living for
All of Our Residents

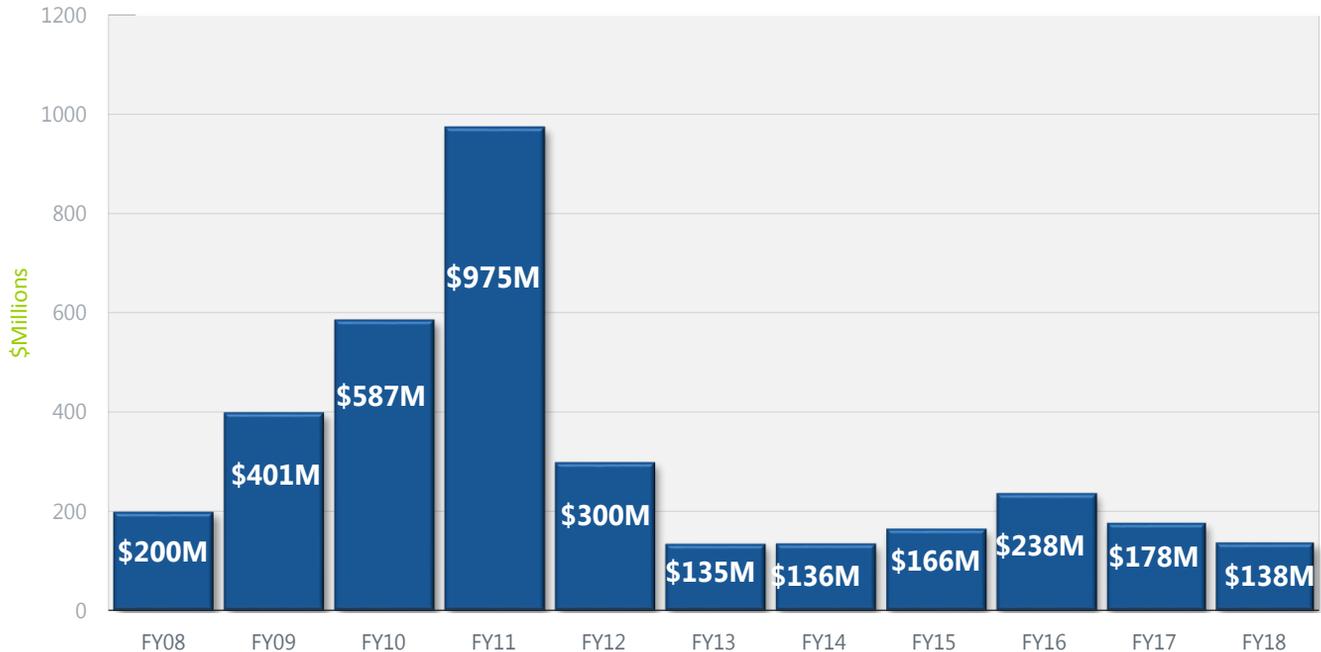
Fiscally Responsible Government

Montgomery County is on the right path to **sustainability**

- ✓ **Closed \$3.5 billion** in budget gaps over the past 11 years
- ✓ **Slowed the rate of growth in expenditures**
- ✓ Successfully implemented plan to **increase reserves**, on track to **reaching 10% goal by 2020**
- ✓ **Increased funding for Retiree Health Insurance (OPEB)**, fully funded annual requirement in FY15
- ✓ **Permanent long-term cost reductions** for:
 - Employee compensation, group insurance, retiree health insurance, and pensions
 - **Reduced over 1200 positions** in the FY08-12 period

Budget Shortfalls Closed

by **County Executive Leggett**
\$3.5 billion over 11 years



*FY18 figure – Prior to current shortfall that is being closed through a savings plan

Fiscal Update



FY18 Tax Supported Expenditures by Function

Tax Supported Expenditures Only	Appropriation	% of Total	% Sum	FTEs
1. MCPS	\$ 2,368,655,562	49.6%	49.6%	21,090.64
2. Public Safety	\$ 585,134,553	12.3%	61.8%	3,983.96
3. Debt Service	\$ 399,946,420	8.4%	70.2%	-
4. General Govt. & Other Functions	\$ 292,501,107	6.1%	76.3%	1,142.89
5. Health and Human Services	\$ 270,173,985	5.7%	82.0%	1,211.74
6. College	\$ 262,759,376	5.5%	87.5%	1,802.10
7. Transportation	\$ 185,395,118	3.9%	91.4%	1,110.25
8. Retiree Health Insurance	\$ 163,442,320	3.4%	94.8%	-
9. M-NCPPC (Park and Planning)	\$ 125,880,311	2.6%	97.4%	914.89
10. Libraries, Culture, & Recreation	\$ 87,552,931	1.8%	99.3%	853.73
11. Community Dev. and Housing	\$ 31,408,935	0.7%	99.9%	65.40
12. Environment	\$ 2,907,343	0.1%	100.0%	16.50
	\$ 4,775,757,961			32,192.10

FY19 Fiscal Projection

Revenue Challenges

FY17 audited actuals below FY17 estimates for the following major taxes:

- **Income Tax:** -\$19.8 million
- **Transfer and Recordation Taxes:** -\$1.4 million
- **Energy Tax:** -\$9.7 million
- **Property Tax:** -\$5.4 million

November 2017 Tax Revenue forecast was much lower than expected – forecast has been revised downward for FY18 and FY19 by a total of \$180.9 million.

Income Tax Uncertainty

- **MD State Comptroller v. Wynne** - Projections assume losses of \$14.2 million in FY19 and \$28.5 million in FY20 and \$142.3 million between FY19-FY24
- FY18 income tax projections are \$78.8 million below the FY18 budget
- FY19 income tax projections are \$54.3 million below Finance's March 2017 estimate
- Impact of Federal Tax law changes

Next revenue update - Late February

FY19 Fiscal Projection

High structural cost increases for:

- **Debt Service**, Reserves, Retiree Health Insurance
- **Maintenance-of-Effort** requirement for MCPS and College

Cost pressure is actually higher because other factors must be accounted for including:

- **Labor agreements** – ongoing negotiations with the Fraternal Order of Police
- **Cost increases** for group insurance, workers compensation, and general inflation
- **Operating cost** of new facilities and infrastructure

FY19 Fiscal Projection (as of Dec 2017)

Change in Resources	\$Millions
Additional Revenues	\$27.1
Additional Fixed Costs	
Debt Service	\$20.9
CIP Current Revenue / PAYGO	\$31.5
Reserves / Set Asides	\$183.5
Total Additional Fixed Costs	\$235.9
Available for Agency Operating Budget (additional revenues less additional fixed costs) Reflects \$180.9 million revenue shortfall	-\$208.8
Available for MCG and MNCPPC	-\$203.8
% Reduction from FY18 Budget	-11.7%

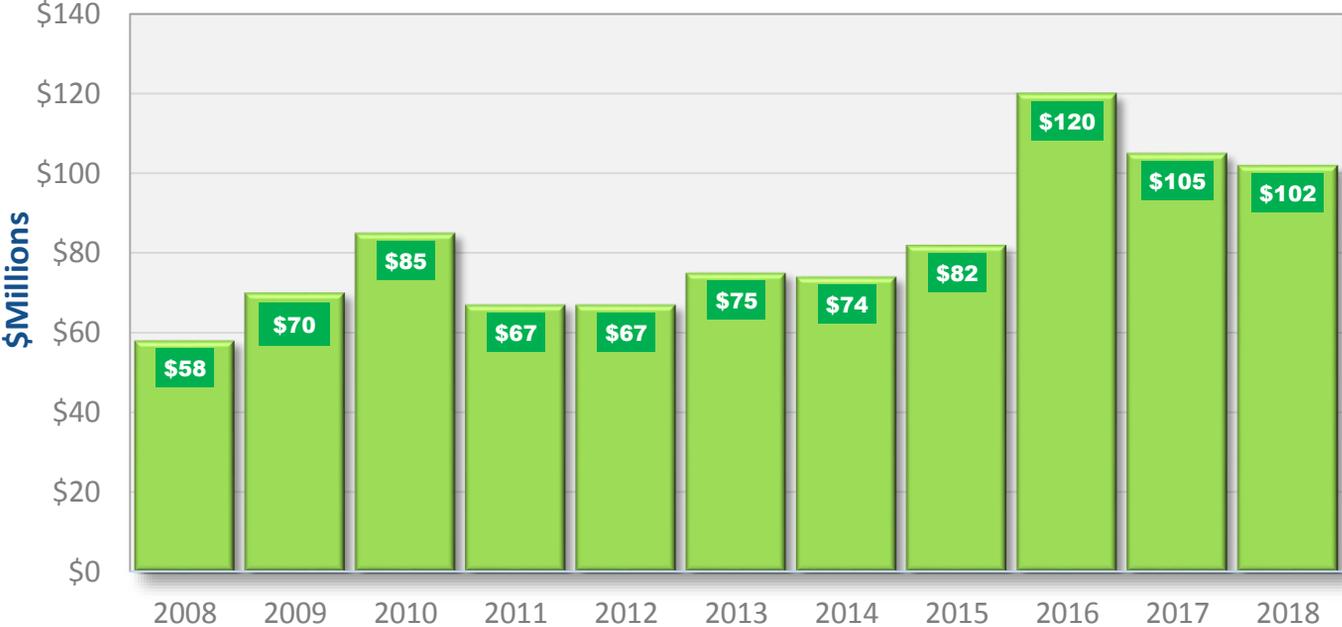
Actions taken to Close the Gap in Prior Years

- 1 Withheld steps and general wage adjustments
- 2 Required increased employee contributions to retirement and health benefit plans
- 3 Maintained MCPS at Maintenance of Effort (MOE) level or below for six years
- 4 Reduced the number of employees by over 1000 (or 10%) and maintained a lower per capita employee ratio (still below the FY 06 level)
- 5 Slowed the rate of growth in expenditures from double digit annual percentage growth prior to FY 08, to an average of 2.7 percent over the last 10 years.

Affordable Housing Support

by County Executive Leggett

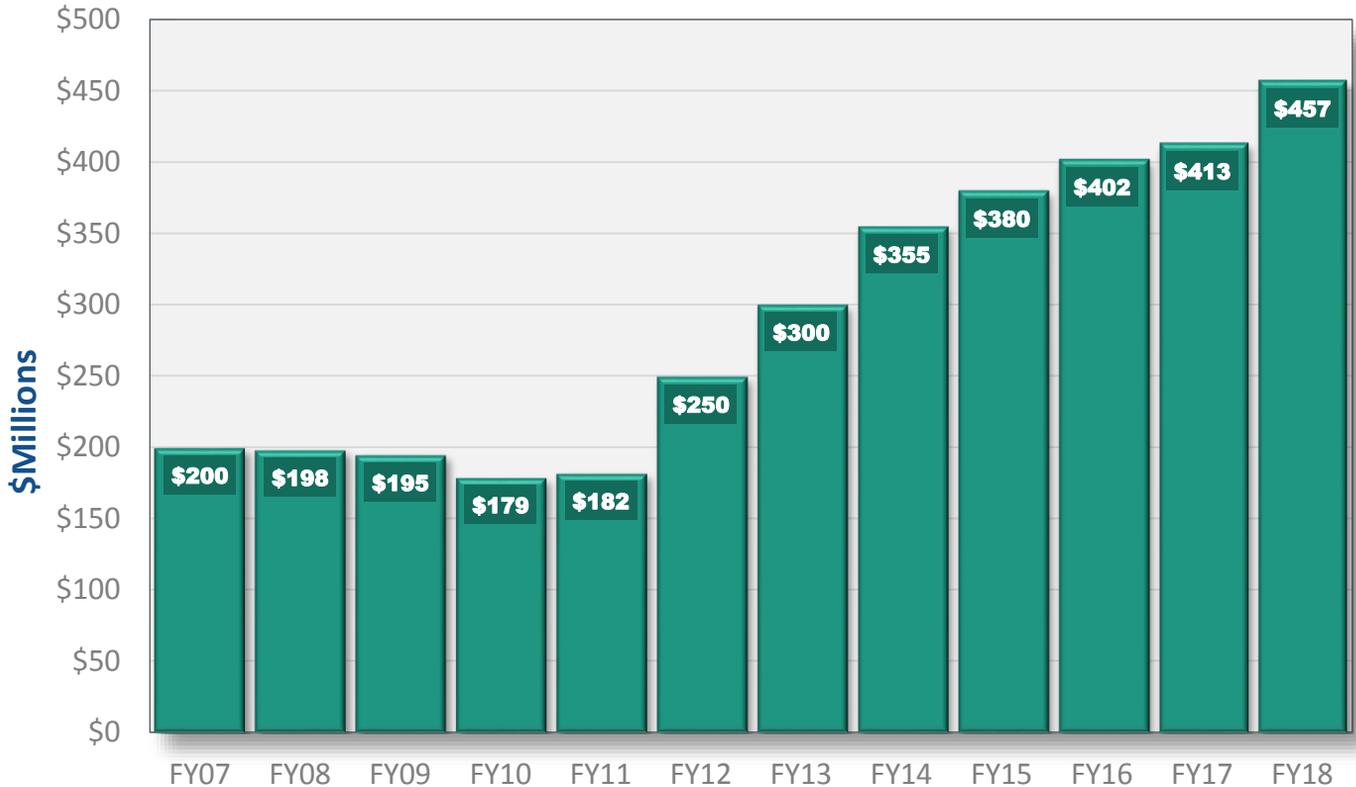
\$902 million and 63,000 units over 11 years



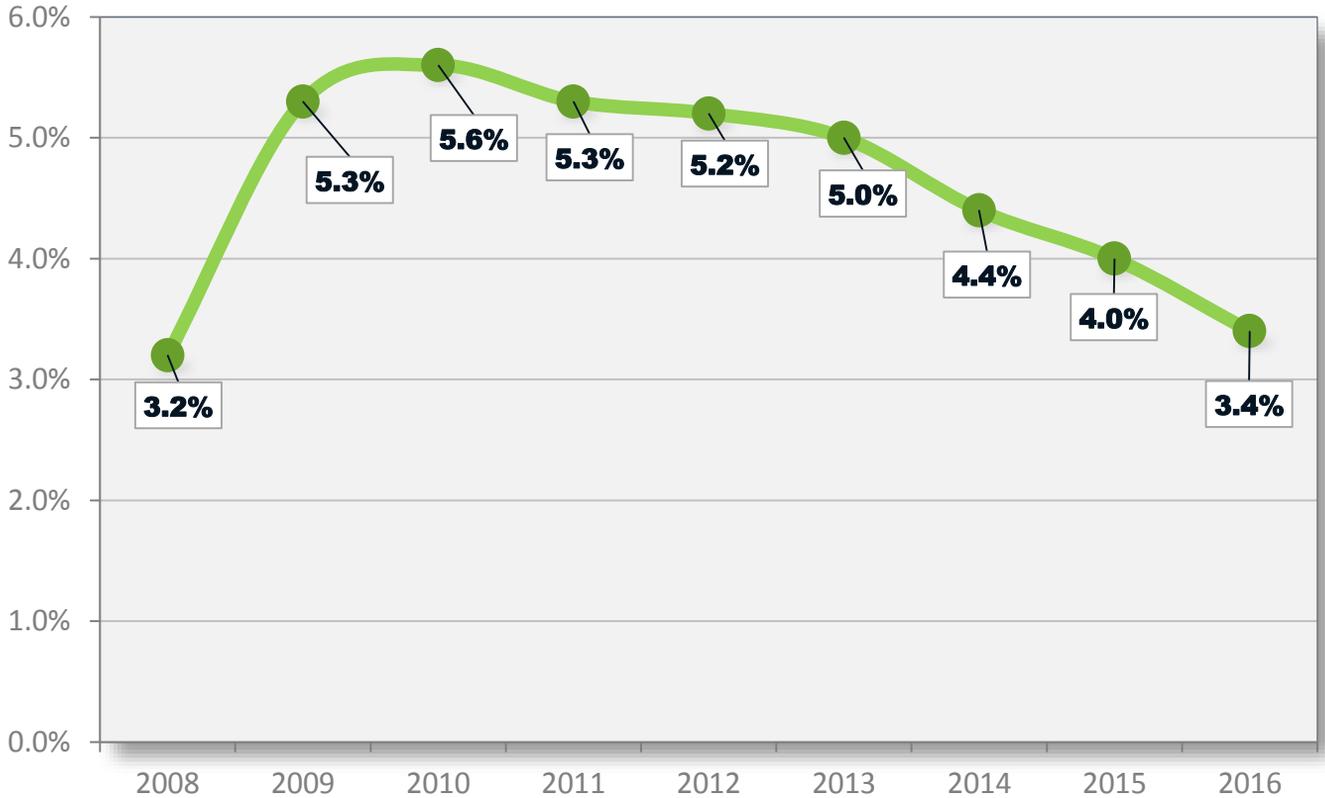
Includes Operating, Capital, PILOTS and Discounted Land Value

recommended

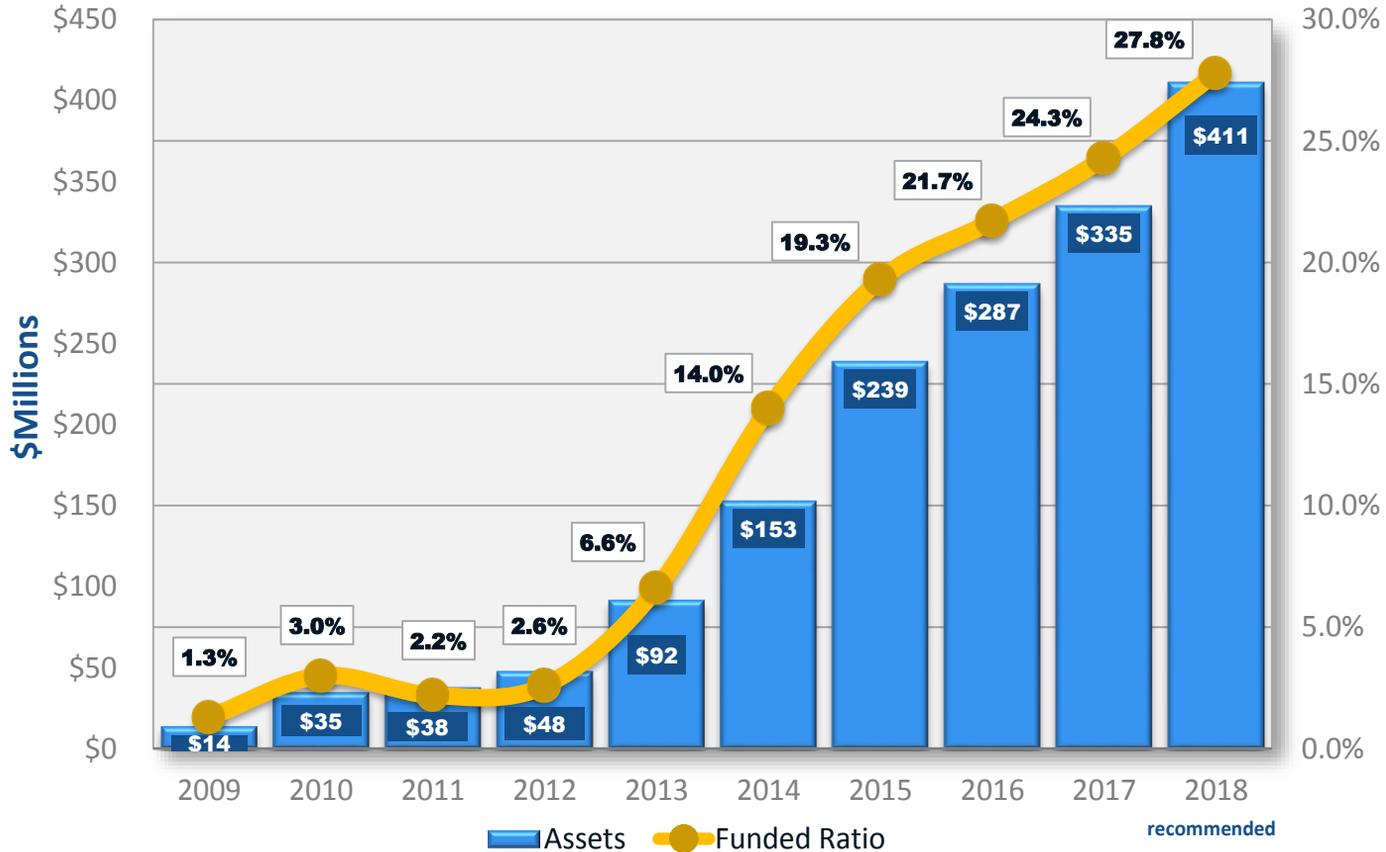
Reserves By Year



Unemployment Rate By Year



Required Retiree Health Trust Contribution



Our Budget



Two Budgets **One County**

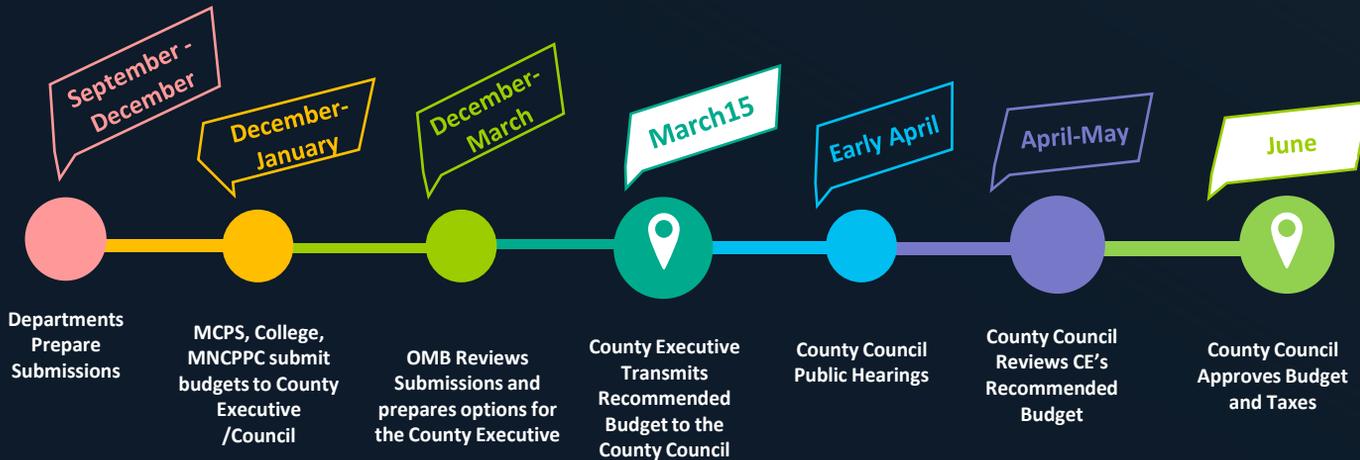
Operating Budget: **Services**

- ✔ K-12 education
- ✔ Community College education
- ✔ Public safety: Police, Fire, Courts, Corrections
- ✔ Transportation: Roads, Traffic, Bus
- ✔ Social Services: Health, Income Maintenance, other
- ✔ Environmental protection
- ✔ Parks, recreation, and libraries
- ✔ Land use planning and regulation
- ✔ Trash collection and disposal
- ✔ Economic development
- ✔ Debt Service

Capital Budget: **Facilities**

- ✔ Schools, College facilities
- ✔ Roads and bridges
- ✔ Water and sewer facilities
- ✔ Information technology infrastructure
- ✔ Libraries
- ✔ Police and fire stations
- ✔ General government facilities
- ✔ Funded primarily through the issuance of bonds (borrowing)

Operating Budget Process



Tax Supported

Excludes grants and services supported by fees and charges (non-tax supported funds)

Non-Tax Supported

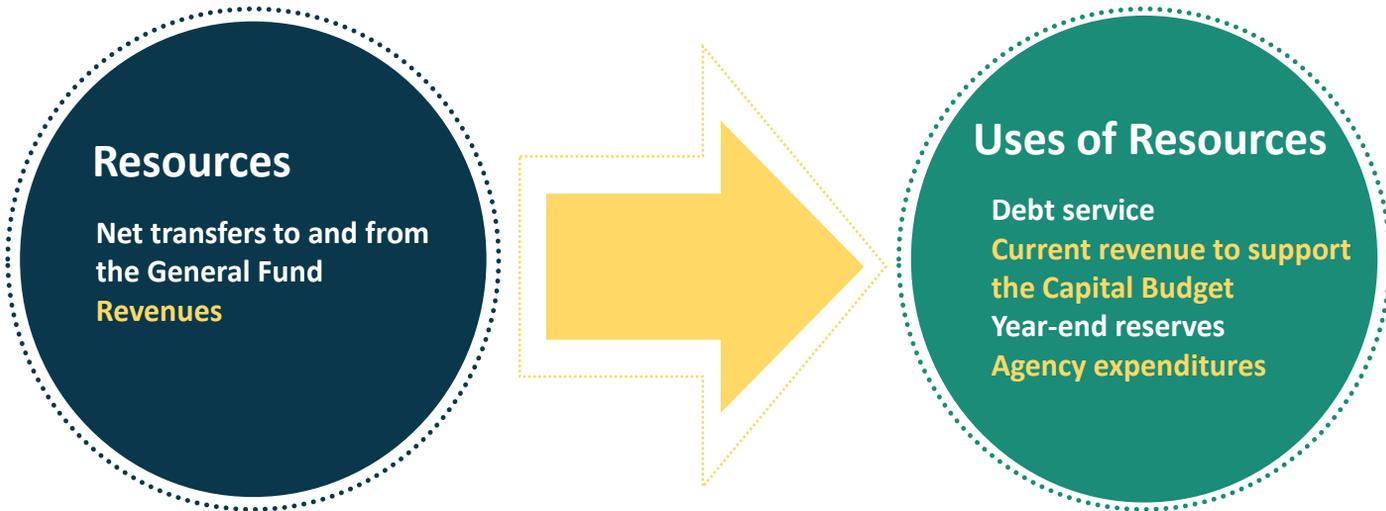
Funds are **self-sustaining** and generally not subject to fluctuations in tax receipts

Total Non-Tax Supported Funds:
\$674.6 million

Grants:
\$222.9 million

Self-Supporting funds:
\$451.7 million

County Executive's Fiscal Plan



The **budget is balanced** when **projected resources are equal to projected uses**, including funding reserves to the policy level.

Selected Fiscal Assumptions: Resources

- ➔ Property tax revenues are projected at the Charter Limit
- ➔ Other tax revenues and user fees are projected at their current rates
- ➔ Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget
- ➔ Latest revenue estimate: **Net decrease** in anticipated County revenues of **\$180.9 million (\$94.9 million in FY18 and \$86.0 million in FY19)** compared to estimates assumed at the time the FY18 budget was approved

By law, the greater of 50% of excess revenue or 0.5% of revenues must be allocated to the reserves

Selected Fiscal Assumptions: Expenditures

- Under these assumptions, total agency expenditures must be **reduced 4.8%** to produce a balanced budget in FY19.
- Because of State law requiring a certain level of funding for MCPS and Montgomery College, County Government and Park and Planning could sustain **reductions of nearly 11.7%**.

Community Participation



- ✓ Letters/emails to the County Executive and Councilmembers
- ✓ Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- ✓ **Executive Branch sponsored budget forums across the County, where residents and businesses provide input on their priorities**
- ✓ County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- ✓ County Charter requires the Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- ✓ Public hearings related to budgets, legislation, and regulations are advertised in local press
- ✓ County Council town hall meetings
- ✓ Letters to local press
- ✓ Citizen participation groups (Taxpayers' League, etc.)